

Michigan Bureau of State Lottery
2008 Annual Report

In a slow economy, the Michigan Lottery, like many other entertainment entities, is a challenging business. While we recognize that the disposable income available to people is limited, we must still be true to our mission of generating revenue for the state School Aid Fund. We are proud of the fact that we were able to meet this challenge and in fiscal year 2008, raised \$740.7 million for education.

While the School Aid Fund is the Lottery's most



The Honorable Jennifer M. Granholm
Governor, State of Michigan

important beneficiary, it is not the only one. We consider our retailer partners, the over 10,000 stores, restaurants, bars and bowling centers where our tickets are sold, our beneficiaries. In FY 2008, retailers earned \$172.2 million in commissions for

selling and redeeming Lottery tickets, with up to \$50,000 paid for the sale of a jackpot-winning Mega Millions ticket.

We'd like to think the millions of Michigan Lottery players, who won over \$1.32 billion in prize money in FY 2008, consider themselves beneficiaries as well. Prizes paid ranged from \$1 to an overwhelming \$136 million, and recipients were in every county in the state.

On the way to our success last year, the Michigan Lottery experienced several changes. Tom Weber's term as acting commissioner ended in February with my appointment by Governor Granholm as the Lottery's eighth commissioner. I was pleased to accept this appointment for many reasons, chief among them my respect for the mission of the Lottery and the people

who are responsible for its day-to-day business functions and operation. I am proud to report that, particularly in lean economic times, the Michigan Lottery continues to be one of the most efficient in the country. With sales totaling \$2.33 billion, our direct game expenses, which include equipment and ticket printing, represent just 2.6 percent of total revenue. Our operating expenses, such as salaries and buildings, are even less, at 1.7 percent of total revenue. For a

business of our size, that is an incredible accomplishment.

Although the Lottery experienced internal management changes that were transparent to the public in FY 2008, players will definitely notice some external changes that will take



M. Scott Bowen
Lottery Commissioner

place in FY 2009. By early summer, retailers will have newer, faster, more modern terminals from which to sell tickets. The terminals are part of a massive systems-wide upgrade which includes self-checkers for players and screens on which they can view their Lottery transactions in real time.

We thank our supporters for our FY 2008 success and we look forward to improving the Lottery business for all our beneficiaries in FY 2009.

A handwritten signature in black ink, likely belonging to M. Scott Bowen.



Winners!

Michigan Lottery players were winners of prizes ranging from \$1 to over \$100 million in 2008 as the Lottery awarded \$1.32 billion to players all over the state.

Our top prize winner in 2008 was David Sneath, who won a \$136 million Mega Millions jackpot. Sneath, of Livonia, won the jackpot on April 1, which happened to be his 60th birthday. It was also April Fool's Day, but

the win was no joke for Sneath, who immediately retired from the Ford Motor Company and began moving toward his dream of owning a lakeside home in Northern Michigan. Sneath literally shared his wealth among family and friends, including presenting an immediate \$1 million each to several of his closest friends with whom he normally purchases Lottery tickets.



Barb Farrah of Southgate was a \$2 million winner in the February 22, 2008 instant ticket grand prize drawing at The Palace of Auburn Hills.

June 13 turned out to be a lucky Friday the 13th for Fred Topous of Kent City, who won the state's second Mega Millions jackpot of the year with a \$57 million prize.

While Mega Millions continued to be an important component in the Lottery game mix with prizes paid totaling \$88.6 million, fans of other games collected millions in prizes as well. Classic Lotto 47 players were awarded \$33.7 million in prizes, including a record

jackpot of \$23.6 million won in March; Fantasy 5 players, \$25.6 million, including a record jackpot of \$827,483 won



Members of Sammy's Club, located in Elkton, shared a \$250,000 Mega Millions prize in February 2008.

by Douglas Kollar of Lapeer; Keno! players, \$5.4 million; Daily 3 players, \$167 million; Daily 4 players, \$142.5 million; Instant players, \$470.5 million; Club Keno players, \$340.6 million; and Pull Tabs players, \$24.1 million. In addition, the Lottery continued its series of raffle games, offering two Millionaire Raffles and two Super Raffles, which in total paid out \$25.3 million in prizes. And one of those lucky Super Raffle prize winners of \$100,000 was also a Fantasy 5 winner of \$115,000 in 2006!

Live events in which players win millions of dollars in front of thousands of people maintained their popularity. Five players, Charles Conn of Niles (Detroit Lions game at Ford Field, \$2 million), Charles Roemmelt of Dearborn Heights (Detroit Pistons game at The Palace of Auburn Hills, \$500,000), Barb Farrah of Southgate (Detroit Pistons game at The Palace of Auburn Hills, \$2 million), Janise Maddocks of Warren (International Freedom Festival in Detroit, \$2 million), and David Grzesik of Romulus (Arts, Beats and Eats in Pontiac, \$1 million), won their prizes while thousands of fans watched in person and on television.

Players most often associate winnings with cash prizes, but the Michigan Lottery awarded a multitude of non-cash prizes, including trips and merchandise in FY 2008. In recognition of its 35th anniversary year, the Lottery issued a unique Instant ticket that highlighted the Lottery's beneficiary, public education. In partnership with Michigan Education Trust, the State of Michigan ticket, which was designed with the Lottery's first ticket in mind, awarded eight Michigan college tuition contracts to second chance winners. The concept of a ticket that linked the beneficiary to a prize

SUMMARY

Games offered: Mega Millions, Classic Lotto 47, Fantasy 5, Keno!, Daily 3, Daily 4, Millionaire Raffle, Super Raffle, Club Keno, Pull Tabs, Instant

Sales: \$2.33 billion

Contribution to School Aid Fund: \$740.7 million

Prizes paid: \$1.32 billion

Range of prizes: \$1 to Mega Millions jackpot



Carrie Crossnoe of Mt. Morris was a February 2008 winner in the State of Michigan Lottery Instant ticket game. Lottery Commissioner M. Scott Bowen presented her and her son with the prize check.

garnered the Lottery one of six finalists positions for the top instant game in North America.

The most obvious winners of the Lottery are the players, but the effects of winning can be widespread. As part of their own company promotion, Shopper's Market in Warren and Center Line donated 15-cents for every State of Michigan Lottery ticket the stores sold to area public schools, raising \$330 in scholarship money for one high school student.

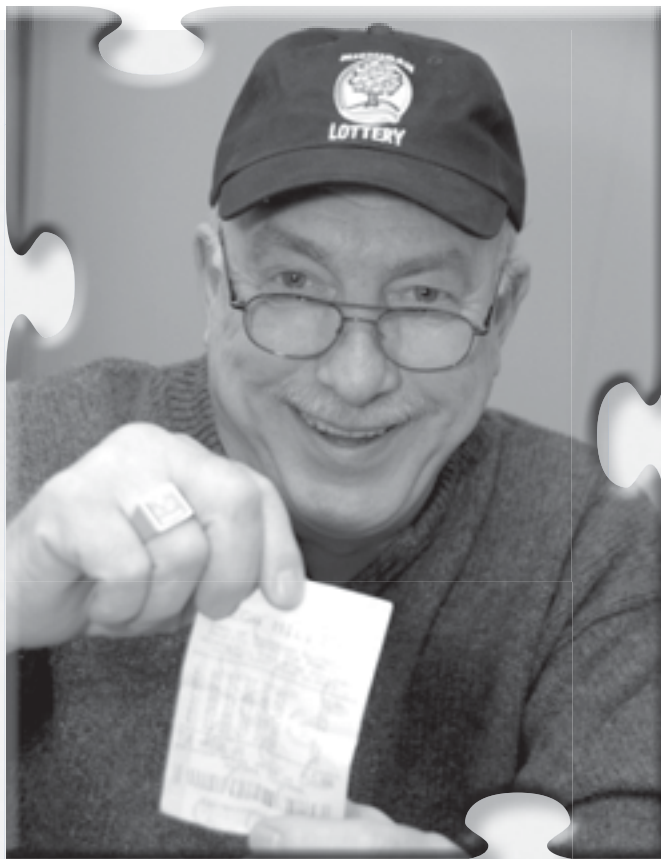
The Kroger Store on Gratiot in Saginaw that sold a winning Super Raffle ticket donated its \$2,000 bonus commission to the Food Bank of Eastern Michigan, sharing its good fortune with those in need.

As always, we congratulate all of our winners – players and retailers, and of course, the School Aid Fund.



Carolyn Clement of Frankfort was a two-time Mega Millions winner when she unknowingly purchased two own-pick tickets for the same drawing. Presenting both her checks was Acting Lottery Commissioner Tom Weber.

Online Games



David Sneath of Livonia displays his April 1 Mega Millions ticket that earned him \$136 million.



Mohamed Maisari of Dearborn was a July 2008 Fantasy 5 winner.



Wendell Peoples of Detroit celebrated an August 2008 Mega Millions win.

SUMMARY

Games offered: Mega Millions, Classic Lotto 47,

Fantasy 5, Keno!, Daily 3, Daily 4,

Millionaire Raffle, Super Raffle

Sales: \$1.03 billion

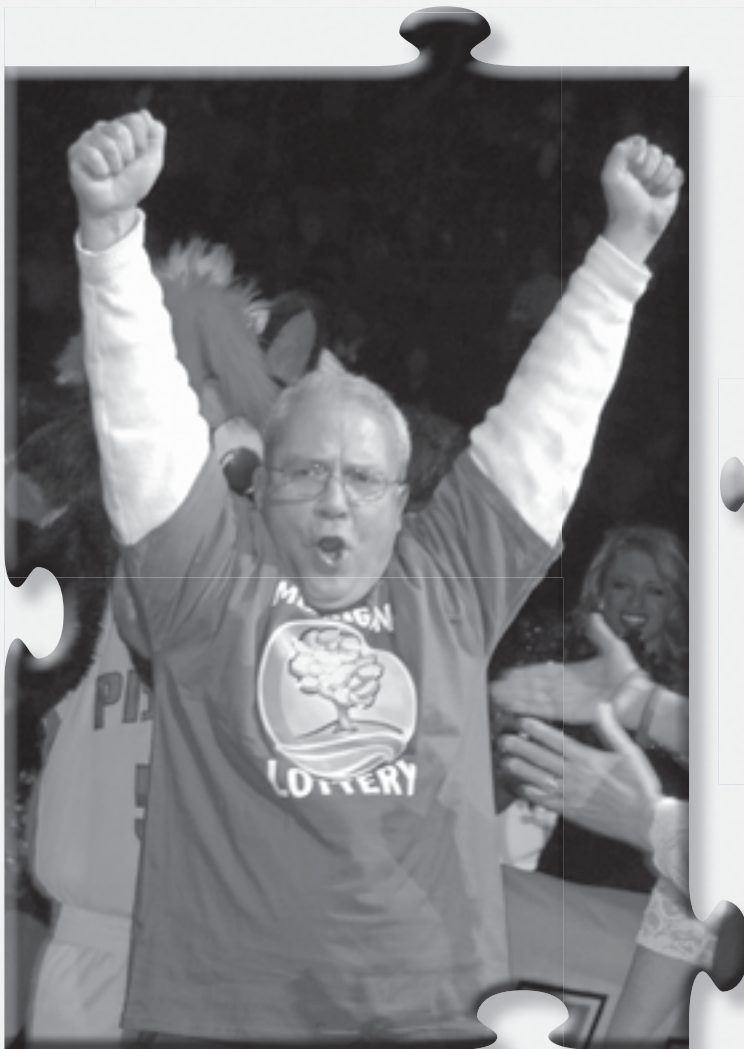
Contribution to School Aid Fund: \$431.5 million

Prizes paid: \$488.1 million

Range of prizes: \$1 to Mega Millions jackpot



Instant Games



Charles Roemmelt of Dearborn Heights won \$500,000 in the Lottery's January Treasure Tree drawing at The Palace of Auburn Hills.

SUMMARY

Number of Instant games introduced

in FY 2008: 74

Price points: \$1 to \$20

Sales: \$734.2 million

Contribution to School Aid Fund: \$171.3 million

Prizes paid: \$470.5 million

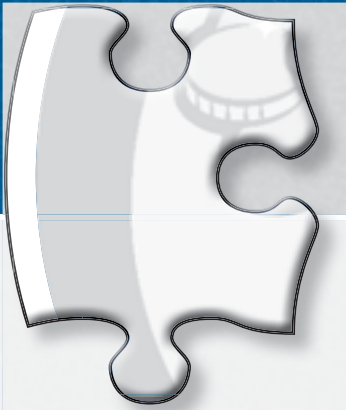
Range of prizes: \$1 to \$2 million



Anthony Hool of Grand Blanc scored a million dollar prize in the \$40 Million Spectacular Instant game.



Rayanne Drensky of West Branch cashed in with a winning Cadillac Cash ticket.



Club Games



Fred Allos of Rochester Hills was a Club Keno prize winner.

SUMMARY

Games offered: Club Keno with

Kicker option, Pull Tabs

Sales: \$563.9 million

Contribution to School Aid Fund: \$137.9 million

Prizes paid: \$364.7 million

Range of prizes: 50-cents to \$20 million



Club Keno playslips and monitor, which displays results of drawings conducted every four minutes.



Retailers



Anna and Lou Bekins, owners of Party World in Comstock Park, accepted their commission check for selling a Mega Millions jackpot-winning ticket from Commissioner M. Scott Bowen.



Thrifty Convenience Drug Store in Pontiac drew a large crowd of Lottery players at the Arts, Beats and Eats festival over Labor Day weekend.

SUMMARY

Number of retailers: 10,305

Commissions paid to Michigan Lottery
retailers in FY 2008: \$172.2 million

Commission structure: 6 percent on all tickets
sold; 2 percent on in-store redemptions up to
\$600; 2 percent to retailers on redeemed winning
tickets from \$601 to \$100,000 sold in their stores;
\$2,000 for redeemed winning tickets valued over
\$100,000 sold in their stores; \$5,000 for the sale
of a Classic Lotto 47 jackpot-winning ticket; and
\$50,000 for the sale of a Mega Millions
jackpot-winning ticket.

Special Events



The Michigan Lottery is a sponsor at several Michigan venues, including Joe Louis Arena, home of the Detroit Red Wings.

SUMMARY

FY 2008 events and partners: Winter Blast, Detroit (Meijer in Taylor); Arab International Festival, Dearborn (5 Star Liquor in Dearborn); Stars & Stripes Festival, Mt. Clemens (Recreation Bowl in Mt. Clemens); Labadie Pig Gig, Bay City (Meijer in Bay City); Michigan State Fair, Detroit (Northville Downs and Hazel Park Raceway); Arts, Beats and Eats, Pontiac (Thrifty Convenience Drug Store in Pontiac). 2008 sponsorship venues: Comerica Park, Ford Field, Joe Louis Arena, Michigan International Speedway, The Palace of Auburn Hills, Van Andel Arena



A lucky Lottery player was a prize winner at the Arts, Beats and Eats festival in Pontiac over Labor Day weekend.



Second Chance Drawings, Player City

SUMMARY

Second chance games: State of Michigan Green ticket (MET drawing), Glittering 7s, 1-vs-100, Grand Giveaway, Cadillac Cash, Deal or No Deal, Treasure Tree, American Idol, Detroit Tigers, Detroit Red Wings

Number of second chance drawings: 23

Number of prizes awarded: 562

Number of second chance entries: 1,142,496



SUMMARY

Number of citizens: 180,287

Address: www.playercity.net

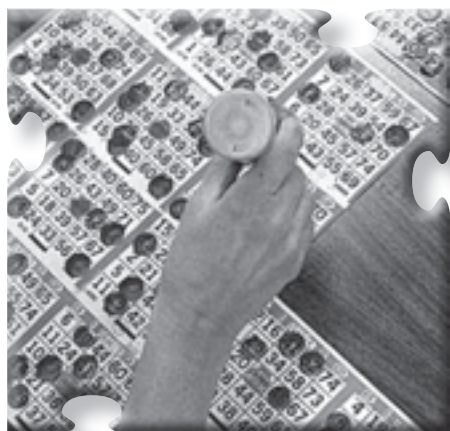
Offerings to players: winning number alerts, contests, special drawings, coupons and member rewards



Charitable Gaming



A lucky Michigan Lottery Charitable Gaming player scored with a \$40 Mighty Mac winning charity game ticket at her local bingo.



Paper bingo cards and ink daubers have all but replaced traditional bingo hard cards and chips.

SUMMARY

Fundraising generated by nonprofits through bingos, raffles, millionaire parties, and the sale of charity game tickets.

Game revenue: \$480 million

Proceeds for charitable causes: \$75 million

Prizes paid: \$340 million

Compulsive Gambling Helpline



Lottery and other games of chance are prevalent in Michigan and worldwide. The vast majority of

Lottery enthusiasts play responsibly and do so in the spirit in which the games are intended. However, as with any form of gambling, abuses can and do occur.

The Michigan Lottery believes in offering a fun product at a fair price, all in the name of benefiting a worthy cause. The Lottery is not, and was never intended to be, an investment, retirement plan, or a replacement for hard work as a means to a better life.

If you would like more information about problem gambling programs, call the Michigan Problem Gambling Helpline at 1-800-270-7117.

In FY 2008, the Michigan Lottery provided \$1 million for compulsive gambling programs, including the toll-free Helpline.



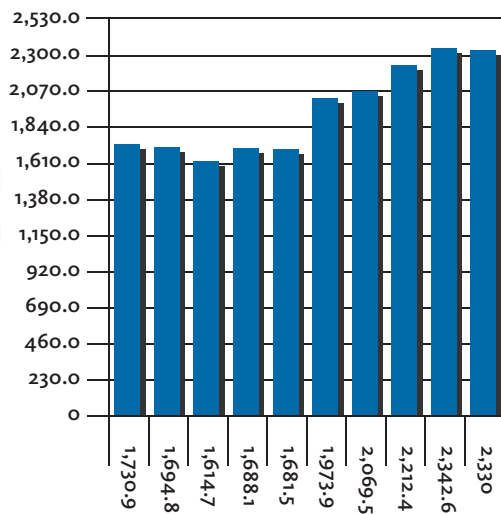
2008 Financials

Statement of Revenues, Expenses and Transfers (in Thousands)

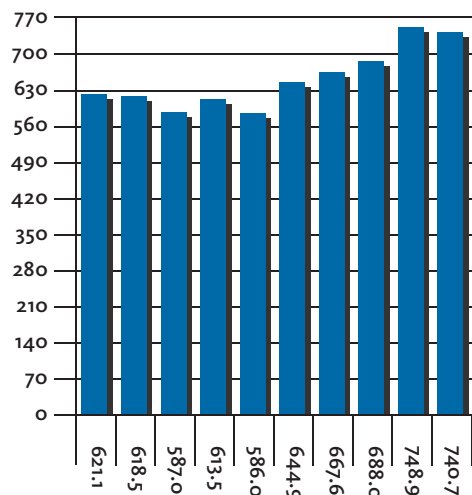
Revenues	FY 2008	FY 2007
Daily 3	\$ 346,661	\$ 367,702
Daily 4	\$ 324,961	\$ 334,506
Daily Double	\$ 844	\$ 2,034
Classic Lotto 47	\$ 64,129	\$ 53,112
Fantasy 5	\$ 51,322	\$ 49,439
Mega Millions	\$ 184,766	\$ 218,082
Keno	\$ 13,849	\$ 14,022
Raffle Games	\$ 45,546	\$ 56,260
Instant Games	\$ 734,200	\$ 717,804
Club Keno	\$ 526,475	\$ 490,950
Lucky Streak	\$ 13	\$ 164
Pull Tabs	\$ 37,432	\$ 38,523
Total Ticket Sales	\$ 2,330,198	\$ 2,342,597
Charitable Gaming Receipts	\$ 18,941	\$ 18,907
Investment Income	\$ 7,178	\$ 7,771
Unrealized Investment Income (Loss)	\$ 4,895	\$ (4,202)
Other Income	\$ 1,942	\$ 1,498
Total Revenues	\$ 2,363,155	\$ 2,366,571
Expenses		
Retailer Commissions	\$ 172,155	\$ 172,737
Administrative Expenses	\$ 21,108	\$ 19,640
Advertising	\$ 17,632	\$ 17,548
Direct Game Expenses	\$ 63,356	\$ 62,968
Charitable Gaming Expenses	\$ 8,303	\$ 8,148
Total Operating Expenses	\$ 282,554	\$ 281,041
Prizes Awarded	\$ 1,350,735	\$ 1,355,263
Less Unclaimed Prizes	\$ 27,394	\$ 26,182
Net Prizes Awarded	\$ 1,323,341	\$ 1,329,081
Net Income Before Disbursements	\$ 757,259	\$ 756,448
Charitable Gaming Net Income		
General Fund Disbursement	\$ (10,638)	\$ (10,759)
Dept. of Community Health for Compulsive Gaming Helpline Disbursement	\$ (990)	\$ (990)
Reserved Unrealized Loss On Investments	\$ (4,895)	\$ 4,202
Net Income Disbursed to School Aid Fund	\$ 740,735	\$ 748,901

Financials (con't)

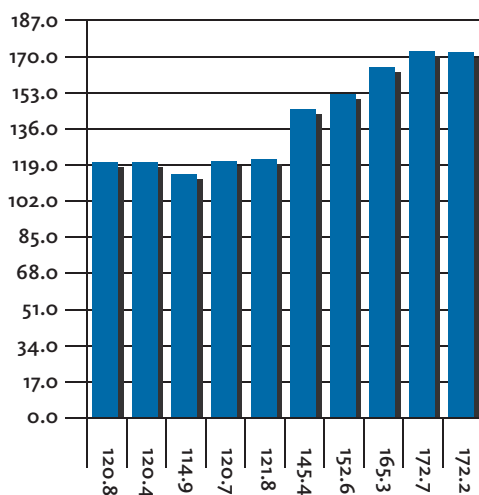
Ticket Sales History (In Millions)



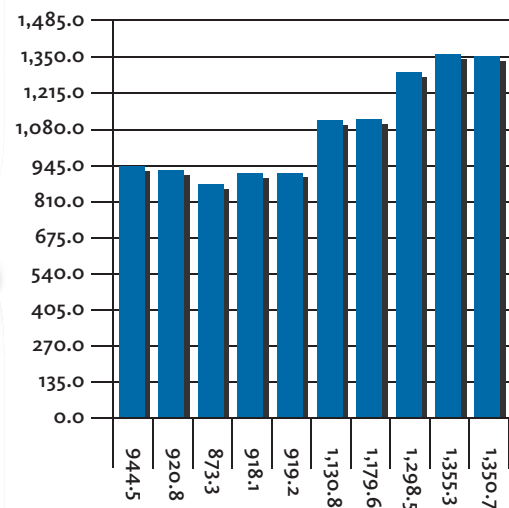
Net to Education (In Millions)



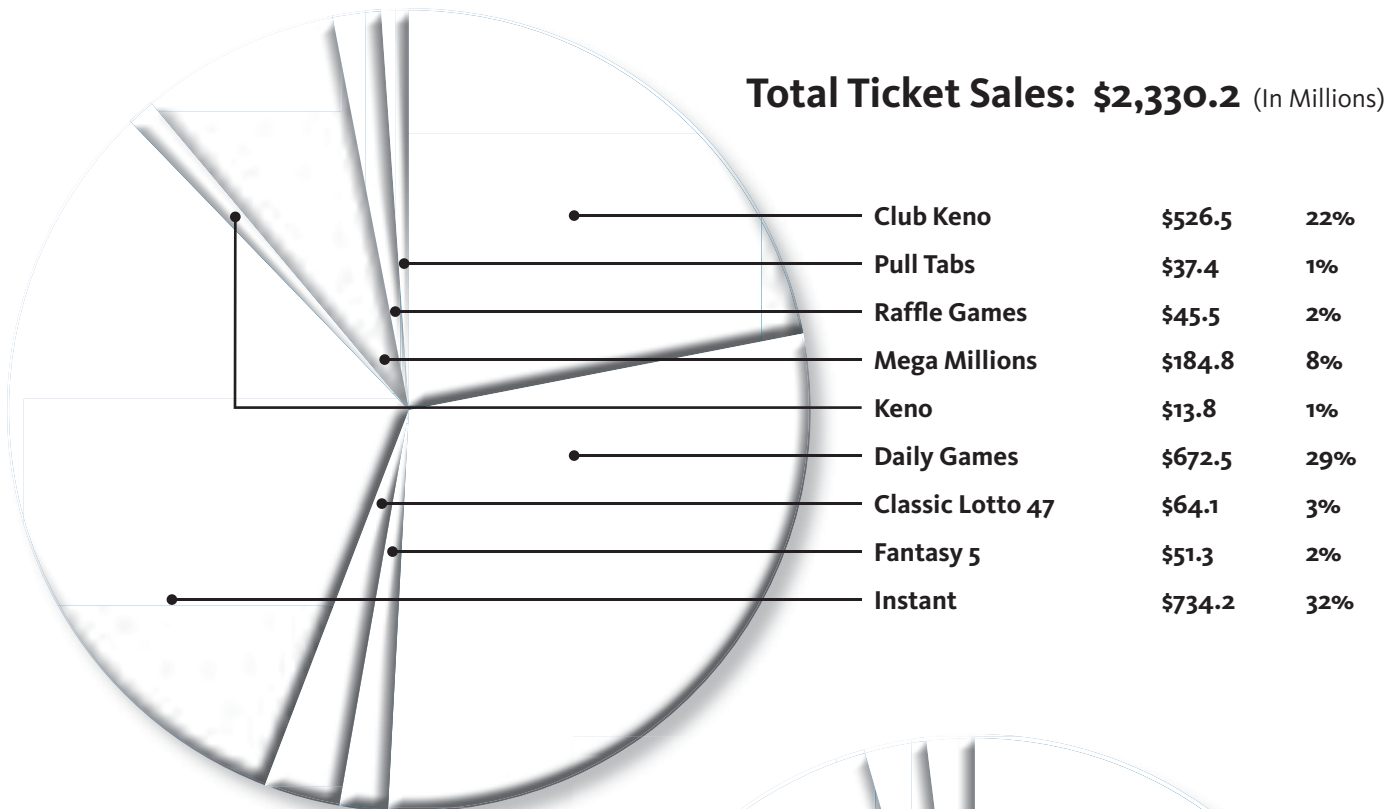
Retailer Commissions (In Millions)



Prizes Won (In Millions)

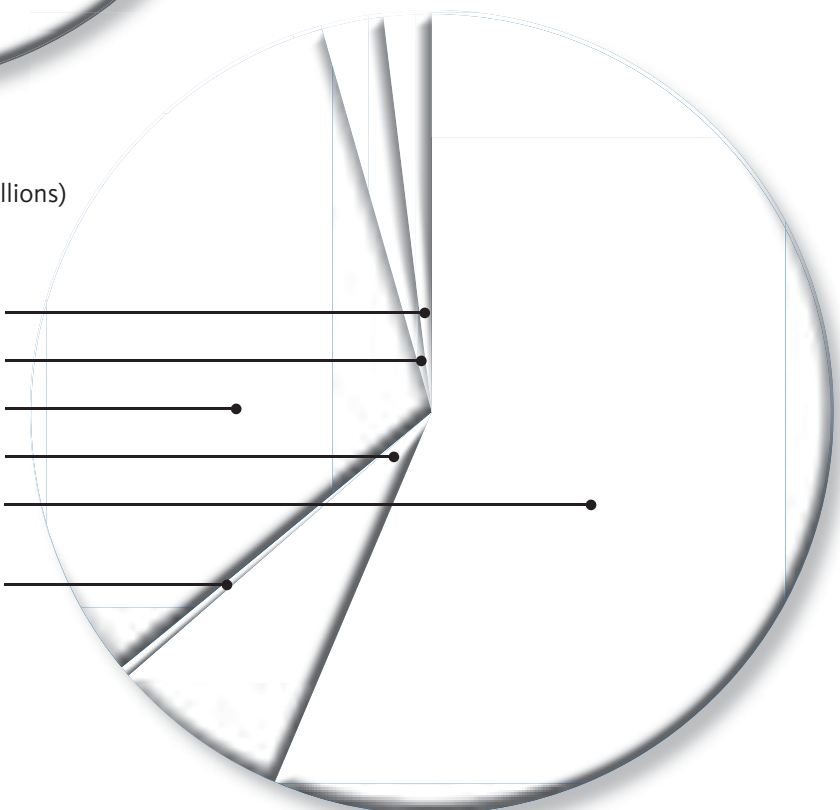


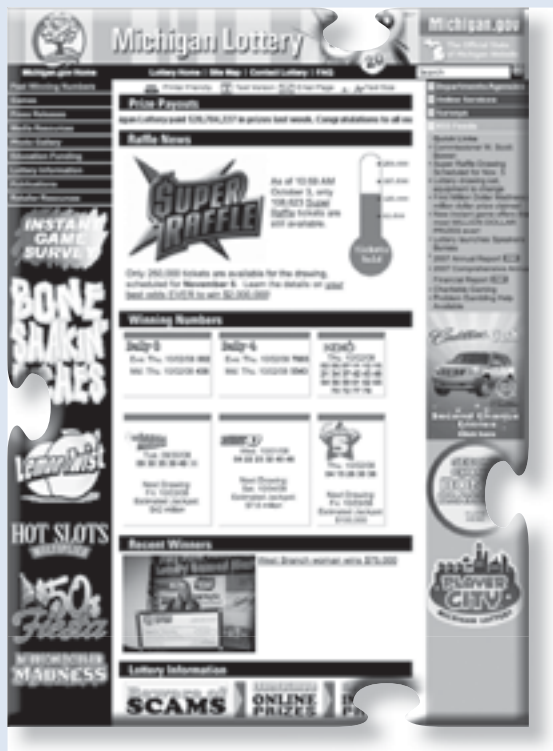
Financials (con't)



Where The Money Goes: (In Millions)

Operating Expenses	\$38.7	1.7%
Direct Game Expenses	\$63.4	2.6%
School Aid Fund	\$740.7	31.7%
Retailer Commissions	\$172.2	7.3%
Net Prizes	\$1,323.3	56.6%
Compulsive Gaming Hotline	\$1.0	0.10%
Total	\$2,339.3	100.0%





SUMMARY

Total page views: 87,076,783
Average page views per day: 244,598
Total visits (non-unique): 33,218,781
Most popular page: Home page



MICHIGAN LOTTERY

M. Scott Bowen Lottery Commissioner

Tom Weber	Acting Chief Deputy Commissioner
Terry Bunting	Acting Deputy Commissioner, Marketing and Sales
Mike Petersen	Deputy Commissioner, Charitable Gaming
Margie Reh	Deputy Commissioner, Administration
Connie Roblee	Deputy Commissioner, Planning and Operations

This report was produced by the Public Relations Division of the Michigan Bureau of State Lottery. Photography by Michigan Lottery, www.domagalskiphotography.com and *The Detroit News*.

Printed under the authority of P.A. 239, 1972, as amended.
12,500 copies at \$.48 per copy; total cost: \$5,992.00.

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